

1 July 1959

ATTN : [REDACTED] St/I/a 25X1A9a  
FROM : Acting Chief, Industrial Division, OMR  
Chief, Military Economics Branch, D/I

Requirement for Hungarian Refugees

1. In conformance with our recent conversations, we are herewith 25X1X7  
submitting requirements for several Hungarian refugees [REDACTED]

2. In brief, these refugees were called to our attention by 25X1A2a  
American Embassy Despatch [REDACTED], dated 26 May 1957, which included  
a request for any interest in these people. (A copy of this despatch  
is appended.) One of these refugees, [REDACTED], is of particular 25X1X6  
interest to us -- having been employed in the Ministry of Defense.  
Others are also of interest: [REDACTED] who worked as a bank official 25X1X6  
in the Foreign Exchange Department; and [REDACTED] 25X1X6  
who were employed as auto mechanics. 25X1X7

3. Despite the passage of time since their arrival [REDACTED]  
we should appreciate an effort to exploit them with regard to the  
requested information.

[REDACTED] 25X1A9a

OMR/I/MS/ [REDACTED] pmr(3603)1 Jul 59 25X1A9a

Attachments (2)

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**BACKGROUND**

1. In order to assess the full cost of Soviet military efforts, the contributions made, and the burdens imposed, by the satellites must be considered. Hungary is of particular interest in this respect.

2. Relations with the USSR and the presence of Soviet troops in Hungary create an opportunity for obtaining information of direct pertinence to the Soviet military establishment as well. Thus the following questions, although oriented towards the situation in Hungary, should also be used to elicit like information about the USSR.

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1. Sections I through III of the questions are intended for [redacted] and section IV for [redacted]

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QUESTIONS

Although the primary effort should be on current information and future plans there is need for information covering with the entire period since World War II.

I. Financing of the Armed Forces

A. What is the relationship of the announced allocation labelled Defense, to total outlays for military purposes?

B. What are the sources of funds besides those under Defense? Be specific — what budgetary categories or other sources do they come from? What programs and activities do these funds finance?

1. Which organizations have responsibility for these other funds?

2. Is there a relationship between organizational structure and the source of these funds?

C. What programs and activities are financed by the announced allocation Defense?

D. What are the procedures for transferring funds allocated to military purposes, whatever the source, from their origin (e.g., a budgetary category) to the final recipient?

E. What is the extent of, and the sources of funds for, trade in military equipment? [See III below for a fuller treatment of this topic. This question may have been partially answered under D above.]

F. Describe the planning process used within the military establishments to arrive at the financial requirements for a fiscal period. Be as specific as possible, including the timing and factors in use. The higher the organizational unit for which this information can be provided the more desirable it will be.

G. What is the burden of the military program on the economy? What part of total industrial output is devoted to armaments production? What share of output of specific industries is devoted to armaments production?

II. Prices

Any data relating to prices paid by the military establishment, or any organization acting for it, for any good or service consumed by the military establishment should be considered. Soft goods — particularly food and clothing — as well as hard goods and services (items of major combat equipment, support equipment, organizational equipment, construction, transportation, etc.) are to be included.

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1. Specify any prices known.

- a. Describe the good (or service) for which the price is applicable. E.g., its nomenclature.
- b. What is included in the cited price? Spares (kind and quantity), supporting equipment, installations, service, etc.?
- c. What is the condition of the item? New, old and/or used...?
- d. What are the prices of components. E.g., if an aircraft price has been cited, what is the price of the engine(s), the electronics...?
- e. How was the price determined? What elements of cost are covered by the price -- labor, materials, administration, amortization or depreciation, taxes, profits, research and development, etc.? Specify the proportion of the price attributable to each factor.
- f. Indicate the time period for which the price is applicable. What changes in the price have occurred over time (since 1966)?
2. Do prices paid by, or for, the military differ from those paid by other consumers of the same items? In each instance specify the reasons for any difference (e.g., tax forgiveness, subsidies, etc.)
  - a. Other domestic consumers -- governmental overhead agencies, industrial, household.
  - b. Other Bloc countries -- military, other governmental, other.
  - c. Rest of world.

3. Does the military establishment, or its agents, effect savings by being permitted to purchase at a more primary level than other purchasers? For example, can the military purchase directly from a procurement organization and thereby bypass certain handling charges, taxes, and markups?

III. Military Trade

A. What is the total volume of trade in military equipment, on an annual basis -- in monetary and physical terms -- between Hungary and the other Bloc countries? Differentiate between imports and exports. (Emphasis should be placed on trade with the USSR.)

B. How are prices determined for the goods involved in these transactions and what are these prices? How do these prices compare with the prices paid by the military establishments of these Satellites for like goods purchased domestically?

- C. When selling items to other countries, is obsolescence taken into account in determining the price of an unused or extended item? When the item is used, what allowances are made?
- D. What currencies are employed and what are the exchange rates (stated and actual) basic to these transactions?
- E. What are the other terms of these transactions for military equipment?
- F. What are the mechanics for effecting these transfers of goods?
- G. Does the concept and practice of military assistance enter into trade in military items among these countries?

#### IV. Operations and Maintenance

- A. What are the average hours of flying time per month per pilot?
- B. How many total hours of flying time are authorized for different aircraft (air forces)?
- C. What are the attrition rates used by the Hungarians for specific models of aircraft?
- D. What is the average number of days per year aircraft are out of service for maintenance?
- E. What are the annual costs for maintenance of given installations?
- F. Under what conditions are military aircraft turned over to civilian organizations for repair?
- G. Describe what is done under medium repairs? Capital repairs? How many flying hours are required before medium repairs? Capital repairs? After capital repairs, how many flying hours are required before medium repairs are performed again? In each case indicate the type of aircraft.
- H. What is the fuel consumption in liters per hour of flying time? Does the norm for fuel consumption increase or decrease under different conditions (e.g. weather, condition of engine)? What are the prices of various petroleum products? Specify the year for which these prices apply.
- I. As a percentage of fuel consumption, what is the oil or grease consumption for specific models of aircraft?

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J. How are ratios for operating spares computed? (Operating spares are those spare parts which are received by operating units during the life of an aircraft. Initial spares are spare parts that accompany the aircraft when it is initially issued to the unit.)

K. What are the ratios for operating spares for different pieces of equipment?

L. What is included in the initial spares issued with the aircraft?

M. What are the prices of various spare parts?

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